

HALF YEAR REVIEW

**REPORT FOR THE SIX MONTH PERIOD
ENDED 31 DECEMBER 2001**



FletcherBuilding

Half year review from the Chairman and the Chief Executive

Directors today announced the financial results for the six months to 31 December 2001. Net profit after tax and minority interests was \$41 million, and \$37 million before unusual items. Unusual items represent a \$6 million pre-tax gain on the sale of assets. In the comparative period last year, the net profit after tax and minority interests was a loss of \$41 million and a profit of \$8 million before unusual items.

Revenue for the six months was \$1.455 billion including consolidation of the jointly owned PlaceMakers stores. On the same basis for the comparative period last year, revenue was \$1.313 billion. Most of the revenue increase was in Construction. Concrete was up around 7%, Distribution 6%, and Building Products was up about 3% after eliminating disposals.

Though this improved result was assisted by stronger demand, it benefited more from improved margins through price movements, operational efficiency gains and reduced overheads. However, the result also incorporated significant increases in insurance costs as the company reduced its previously high level of self-insurance while encountering a much tighter insurance market. Depreciation was also higher as a result of the revaluation of assets following separation from Fletcher Challenge.

Nearly all businesses improved earnings over the prior comparative period, but the most significant improvers were Construction, aided particularly by the Varnsdorf co-generation plants in Australia, Firth's Ready-Mixed Concrete, South American operations and Upstream Steel.

Building Products

Assets in both Cyclone and Fletcher Aluminium were sold during the period, reducing revenue. The Building Products Group incurred the major portion of the increase in Fletcher Building's insurance premiums and the first quarter was impacted by the significant hike in energy costs. So in the circumstances, the 3% improvement in the Group's EBIT over the comparative period last year was a satisfactory outcome.

Winstone Wallboards, Plyco Doors and Scott Panel & Hardware all met or exceeded earnings expectations, but Aluminium and Wood Panels had disappointing results. Upstream steel profitability improved markedly; however, of the downstream steel activities, Pacific Coilcoaters was the only significant improver over the comparative period. EasySteel and Dimond each had revenue declines, with some lost market share as a trade-off to maintaining margins.

Concrete

The result for the Concrete Group was significantly ahead of last year. The improvement was underwritten by much better performances in South America and in the concrete and concrete product businesses in New Zealand. Cement was in line with expectations and aggregates was below plan but ahead of the prior comparative period.

While the South American operations continue to experience very difficult trading conditions, both Peru and Bolivia have been cashflow positive as the businesses benefited from the management changes last year and the subsequent major restructuring. Longer term options for these businesses are being progressed. In New Zealand, while rural activity has been a significant contributor to the result, most major urban markets, and roading in particular, remained subdued. Prices have improved marginally in a number of key products.

Construction

The Construction Group performed strongly during the period. Both the New Zealand and the Australian commercial building businesses had significantly increased billings. Fletcher Residential also had a strong lift in sales.

The result for this period was buoyed by the coincidence of above plan earnings from most profit centres and an absence of the one-time claim settlement costs that were in the prior period. Two other matters contributed around \$6 million to EBIT and these are not sustainable. The Victorian Hospitals Co-Generation assets (Varnsdorf) purchased in March last year to end a long running

dispute have performed well, but as non-core assets they are expected to be sold. Also, the finalisation of contractual issues on a number of completed projects in the USA allowed construction profits to be recognised.

Distribution

The Distribution Group has benefited from improving conditions. Solid sales gains have been achieved through improving retail sales and through a strong performance in wholly owned stores which were up 10%. However, the key to the improved half year profit performance has been ongoing internal productivity gains, category enhancement and the continuing competitive strength of the PlaceMakers Joint Venture Partnerships. The Building Depot enjoyed good sales growth and successfully piloted a new point of sale system that will give benefits in the next period. The growing strength of the Hire A Hubby franchise was recognised through a number of awards from the Franchise Association of New Zealand.

Balance Sheet

Net bank debt at 31 December 2001 was \$293 million after the addition of \$14 million as a result of the consolidation of the PlaceMakers Joint Venture branches, and the replacement of \$20 million capital notes with debt. This compares to net bank debt of \$274 million at June 2001. Capital notes reduced from \$250 million to \$230 million.

Net working capital increased by \$47 million as a result of consolidating the PlaceMakers Joint Venture branches, and a further \$49 million primarily as a result of a reduction in creditors in Construction, due to timing of contract payments. Stock remained at similar levels to June 2001.

Fletcher Building's ratio of bank debt to total capitalisation (bank debt plus equity and capital funds at book value) was 26.5% compared to 25.8% at 30 June 2001. Interest cover (EBITDA/Interest) was 8.2 times compared to 5.1 times for the year ended 30 June 2001.

Dividend

Directors declared an interim dividend of 6 cents per share payable on 10 April 2002. The dividend will carry full tax credits. After providing for \$8 million interest net of tax on capital notes, the dividend represents a payout ratio of 63%.

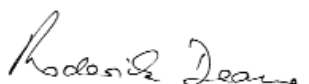
Strategic

Non-core asset sales realised \$30 million during the half year. The improved earnings from South American operations have reduced the urgency for asset sales there, but this remains a priority. Since taking over 100% ownership and operational responsibility for the co-generation plants in Australia, there has been consistent improvement in output and the plants were comfortably profitable during the period. This should assist the planned sale of these non-core assets during the second half. Steel manufacturing also improved, and was around \$8 million trading cash positive for the half year. Whilst the company has no strategic requirement to be in steel making long term, there is no case for closure or a heavily discounted sale of these assets while generating these cash flows.

With the company returning to acceptable operational performance, the major strategic priorities are to ensure earnings reliability through the economic cycle, and to achieve value creating growth.

Outlook

Whilst export and South American markets will remain difficult, the expectation of a continuation of reasonable demand in New Zealand, where most of Fletcher Building's profits are generated, should ensure a satisfactory result in the second half.



Roderick Deane

Chairman of Directors



Ralph Waters

Managing Director

Statement of Financial Performance

for the period ended 31 December 2001 (unaudited)

	SIX MONTHS DEC 2001 NZ\$M	PRO FORMA YEAR ENDED JUNE 2001 NZ\$M	PRO FORMA SIX MONTHS DEC 2000 NZ\$M
Operating revenue	1,455	2,273	1,093
Operating expenses	(1,371)	(2,360)	(1,112)
Operating earnings	84	(87)	(19)
Funding costs	(15)	(36)	(19)
Earnings before taxation	69	(123)	(38)
Taxation expense	(25)	(148)	(3)
Earnings after taxation	44	(271)	(41)
Minority interest	(3)	(1)	
Net earnings	41	(272)	(41)

Statement of Financial Position

as at 31 December 2001 (unaudited)

	DEC 2001 NZ\$M	JUNE 2001 NZ\$M	PRO FORMA DEC 2000 NZ\$M
Assets			
Current assets:			
Cash and liquid deposits	104	132	95
Stocks	337	298	363
Debtors	322	302	329
Contracts	23	39	9
Total current assets	786	771	796
Term assets:			
Fixed assets	736	759	729
Investments	69	90	89
Provision for deferred taxation	130	136	314
Total assets	1,721	1,756	1,928
Liabilities			
Current liabilities:			
Short-term loans	4	2	2
Creditors	505	557	437
Provision for distributions on capital funds	3	4	25
Provision for current taxation	2	(1)	
Total current liabilities	514	562	464
Term debt	393	404	526
Total liabilities	907	966	990
Equity			
Equity	556	538	696
Capital funds	230	250	241
Equity and capital funds	786	788	937
Minority equity	28	2	1
Total equity and capital funds	814	790	938
Total liabilities and equity	1,721	1,756	1,928

Statement of Cash Flows

for the period ended 31 December 2001 (unaudited)

	SIX MONTHS DEC 2001 NZ\$M	PRO FORMA YEAR ENDED JUNE 2001 NZ\$M	PRO FORMA SIX MONTHS DEC 2000 NZ\$M
Cash flow from operating activities			
Total received	1,452	2,285	1,122
Total applied	(1,396)	(2,034)	(1,085)
Net cash from operating activities	56	251	37
Sale of fixed assets and investments	12	31	3
Purchase of fixed assets	(20)	(84)	(57)
Purchase of investments		(3)	(1)
Purchase of subsidiaries		(50)	
Net debt in subsidiaries acquired		(9)	
Net cash from investing activities	(8)	(115)	(55)
Net debt drawdowns / (settlements)	(23)	(151)	(22)
Sale of taxation benefits to other			
Fletcher Challenge divisions		99	60
Issue of capital funds		185	50
Purchase of capital funds	(20)	(126)	
Dividends and distributions paid to stakeholders	(33)	(77)	(39)
Net cash from financing activities	(76)	(70)	49
Net movement in cash held	(28)	66	31
Add opening cash and liquid deposits	132	64	64
Effect of exchange rate changes on net cash		2	
Closing cash and liquid deposits	104	132	95

Statement of Movements in Equity

for the period ended 31 December 2001 (unaudited)

	SIX MONTHS DEC 2001 NZ\$M	PRO FORMA YEAR ENDED JUNE 2001 NZ\$M	PRO FORMA SIX MONTHS DEC 2000 NZ\$M
Total equity and capital funds			
at the beginning of the period	790	969	969
Net earnings	41	(272)	(41)
Revaluation of fixed assets	8	73	
Movement in currency translation reserve	(2)	30	18
Total recognised revenues and expenses			
for the period	47	(169)	(23)
Movement in minority equity	26	1	
Movement in reported capital	3	3	3
Movement in capital funds	(20)	59	50
Dividends and distributions	(32)	(73)	(61)
Total equity and capital funds	814	790	938

Reconciliation of Net Earnings

to Net Cash from Operating Activities (unaudited)

	SIX MONTHS DEC 2001 NZ\$M	PRO FORMA YEAR ENDED JUNE 2001 NZ\$M	PRO FORMA SIX MONTHS DEC 2000 NZ\$M
Cash was received from:			
Net earnings	41	(272)	(41)
Adjustment for items not involving cash:			
Depreciation, depletions, amortisation and provisions	42	224	82
Taxation	23	142	1
Minority interest in earnings of subsidiaries	3	1	
Non cash adjustments	68	367	83
Cash flow from operations	109	95	42
Less (gain) / loss on disposal of affiliates and fixed assets	(4)	1	
Cash flow from operations before net working capital movements	105	96	42
Net working capital movements	(49)	155	(5)
Net cash from operating activities	56	251	37

Dividend Summary

NZ CENTS PER SHARE	NZ RESIDENTS	NON RESIDENTS	ADR HOLDERS
Dividend declared	6.0000	6.0000	60.000
Tax credits	2.9552		
Tax credit refund		2.9552	29.552
Gross dividend	8.9552	8.9552	89.552
NZ tax	2.9552		
Non resident withholding tax (15%)		1.3433	13.433
Net dividend to shareholders	6.0000	7.6119	76.119
Record date	22 Mar 2002	22 Mar 2002	22 Mar 2002
Payment date	10 Apr 2002	10 Apr 2002	11 Apr 2002

As individual shareholders' circumstances may differ, these NZ tax and non resident withholding tax calculations are guides only.

Details on Fletcher Building and its operations for the year ended 30 June 2001 can be viewed at the Fletcher Building website, at www.fletcherbuilding.com

Financial highlights (unaudited)

Results for half year performance

PERIOD ENDED NZ\$ MILLION	SIX MONTHS DEC 2001	PRO FORMA YEAR ENDED JUNE 2001	PRO FORMA SIX MONTHS DEC 2000
Operating revenue	1,455	2,273	1,093
EBIT before unusual items	78	94	37
EBIT	84	(87)	(19)
Cash flow from operations	56	251	37
Net earnings before unusual items	37	34	8
Net earnings	41	(272)	(41)

Operating revenue

PERIOD ENDED NZ\$ MILLION	SIX MONTHS DEC 2001	PRO FORMA YEAR ENDED JUNE 2001	PRO FORMA SIX MONTHS DEC 2000
Building Products	405	840	447
Concrete	232	454	216
Construction	496	808	346
Distribution	322	622	304
Less restatement ⁽¹⁾		(451)	(220)
Total	1,455	2,273	1,093

EBIT before unusual items

PERIOD ENDED NZ\$ MILLION	SIX MONTHS DEC 2001	PRO FORMA YEAR ENDED JUNE 2001	PRO FORMA SIX MONTHS DEC 2000
Building Products	36	58	35
Concrete	24	31	8
Construction	13	5	(5)
Distribution	9	20	6
Corporate	(4)	(6)	(2)
Less restatement ⁽¹⁾		(14)	(5)
Total	78	94	37

Breakdown of financial performance

PERIOD ENDED	SIX MONTHS DEC 2001	PRO FORMA YEAR ENDED JUNE 2001	PRO FORMA SIX MONTHS DEC 2000
Return on funds employed (%) ⁽²⁾	16	10	8
Return on equity (%) ⁽²⁾	12	(44)	(13)
Earnings per share (cents)	9.6	(83.7)	(14.0)
Dividends per share (cents)	6	12	6
Gearing (%)	26.5	25.8	31.6
Interest cover (times)	8.2	5.1	4.2

⁽¹⁾ Restatement of PlaceMakers JV consolidation

⁽²⁾ Annualised

Investor information

Enquiries

Shareholders with enquiries about share transactions, changes of address or dividend payments should contact the share registry in the country in which their shares are registered.

Forward looking statements

Except to the extent that they relate to historical information, there are statements included in this document which are “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995, and they are included herein in reliance upon the safe harbours created by that Act. As forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Fletcher Building, its operations, the markets in which it competes and other factors, some of which are beyond the control of Fletcher Building. As a result of the foregoing, actual results and conditions may differ materially from those expressed or implied by such statements.

In particular, Fletcher Building’s operations and results are significantly influenced by the level of building activity in New Zealand. Fluctuations in industrial output, commercial and residential construction activity, public sector spending on infrastructure, relative exchange rates, and interest rates in New Zealand and its major trading partners, can have a substantial impact on Fletcher Building’s results of operations and financial condition. Other risks include competitor product development and pricing.

Dividend

Fletcher Building has previously paid dividends to resident shareholders with Dividend Withholding Payment (“DWP”) credits, and Conduit Tax Relief (“CTR”) credits to non-resident shareholders. The Company will no longer be able to provide CTR credits, but for the dividend payable in April 2002, full DWP credits will be attached to dividends paid to all shareholders. It is the Company’s current expectation that DWP credits will also be paid on future dividends.

New Zealand companies receiving dividends from overseas are required to deduct DWP, and remit it to the Inland Revenue Department. This tax gives rise to a DWP credit that can be attached to dividends paid to shareholders. After setting-off an amount of non resident withholding tax payable on the dividend the excess DWP credit will be refunded.

The Company has undertaken to pay DWP credit refunds to non-resident shareholders, which it recovers on the shareholders’ behalf from the Inland Revenue Department. This practice of paying the DWP credit refund at the same time as the dividend is the same as that applied by Fletcher

Challenge Limited, on dividends paid to Building Division shareholders until late 1997. New Zealand resident shareholders holding shares on behalf of, or as agents for, non-residents will need to have advised the Share Registry of this fact (if you have not already done so), to ensure that the DWP credit refund is made.

The return to most shareholders is expected to be the same notwithstanding this change in tax credits attached to the dividend.

Dividend reinvestment plan

Fletcher Building shareholders can participate in a Dividend Reinvestment Plan under which they have the opportunity to reinvest their dividends in additional shares except for holders of shares in jurisdictions where overseas laws do not allow the issue of shares to be made. To participate, shareholders must complete the Participation Notice forwarded to them with the 2001 annual report, or upon them becoming a shareholder. Additional copies of the terms of this Plan, and the Participation Notice can be obtained by contacting the share registry in the country in which the shares are listed.

Registries

In New Zealand

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1-877-248 4237 (toll free)
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Other investor enquiries

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Notes to the Financial Statements

1. Basis of presentation

The interim financial statements presented are those of Fletcher Building Limited (the “Company”) and its subsidiaries (the “Group”). Fletcher Building Limited is a company domiciled in New Zealand, is registered under the Companies Act 1993, and is an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993. The interim financial statements have been prepared in accordance with Financial Reporting Standard (FRS) 24, Interim Financial Statements.

These interim financial statements should be read in conjunction with the 2001 Annual Report of the Company.

On 23 March 2001, Fletcher Challenge Limited – Building Operations, a targeted share of Fletcher Challenge Limited, became a stand-alone publicly listed company called Fletcher Building Limited under a court approved arrangement. Fletcher Building Limited was incorporated on 19 December 2000 and acquired the net assets of Fletcher Challenge Limited – Building Operations on 23 March 2001. The Company and Group therefore began trading on 24 March 2001.

The results of the Fletcher Building Group are for the period 1 July 2001 to 31 December 2001. The pro forma results for the twelve months ended 30 June 2001 consist of the results of Fletcher Challenge Limited – Building Operations for the period 1 July 2000 to 23 March 2001 and the results of the Fletcher Building Group for the period 24 March 2001 to 30 June 2001.

Fletcher Challenge Limited – Building Operations financial statements for the period ended 31 December 2000 have been provided for comparative purposes. For the period ended 31 December 2000 and for the period up to 23 March 2001, Fletcher Challenge Limited – Building Operations was a division and targeted share of Fletcher Challenge Limited. As the financial statements of Fletcher Challenge Limited – Building Operations are derived from the financial statements of Fletcher Challenge Limited, they should at all times be read in conjunction with the financial statements of Fletcher Challenge Limited and in particular with the basis of attributing assets, liabilities, income and expenses to the then divisions of Fletcher Challenge Limited as set out in the statement of adopted policies.

2. Changes in accounting policies

There have been the following changes in accounting policy.

On 30 June 2001 the Group adopted a policy of revaluing land, buildings, and plant and machinery. Previously these had been held at depreciated historic cost. The effect of this change in accounting policy resulted in an increase in equity of \$73 million, an increase in fixed assets of \$91 million and a decrease in the provision for deferred taxation of \$18 million. There was no change in the statement of financial performance or the statement of cash flows. This has been recognised in the 2001 Annual Report.

The revaluation of land, buildings, and plant and machinery was in accordance with FRS 3, Accounting for Property, Plant and Equipment. The Directors elected to comply with the requirements of FRS 3 prior to its mandatory implementation date.

FRS 37, Consolidating Investments in Subsidiaries, has been issued with a mandatory implementation date for accounting periods ending on or after 31 December 2002. The Directors elected to comply with the requirements of FRS 37 prior to its mandatory implementation date, therefore they reviewed the standard to ensure that the Group complies with its requirements.

As a result of this review the Group has changed how it accounts for the PlaceMakers joint ventures. Previously these were equity accounted, however for the six months ended 31 December 2001, they have been consolidated.

In the financial highlights we have restated the comparative balances for Distribution for operating revenue and EBIT to ensure comparability.

2. Changes in accounting policies continued

The effect of the change where there has been a material impact on the balances is as per the following table.

	SIX MONTHS DEC 2001 NZ\$M
Operating revenue	243
Operating earnings	5
Earnings before taxation	4
Minority interest	3
Net earnings	0
Total current assets	112
Investments	(21)
Fixed assets	9
Total assets	100
Total current liabilities	64
Total liabilities	73
Equity and capital funds	0
Minority equity	27
Total equity and capital funds	27
Net cash from operating activities	5
Net cash from investing activities	0
Net cash from financing activities	(5)

There were no other changes in accounting policies during the period.

3. Contingencies and commitments

Provision has been made in the ordinary course of business for all known and probable future claims but not for such claims as cannot presently be reliably measured. There has been no material movement in capital expenditure, lease commitments or contingent liabilities to that disclosed in the 2001 Annual Report.

	SIX MONTHS DEC 2001 NZ\$M	PRO FORMA YEAR ENDED JUNE 2001 NZ\$M	PRO FORMA SIX MONTHS DEC 2000 NZ\$M
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4. Operating revenue from continuing operations includes:

Sales

Trading sales to external customers	1,450	2,249	1,083
Investment revenue			
Dividends	5	12	6
Income from joint ventures		12	4
	1,455	2,273	1,093

5. Operating earnings from continuing operations includes:

Net gain on disposal of fixed assets	(2)		
Amortisation of goodwill and intangibles	4	9	5
Depreciation and depletions	42	81	38
Unusual items:			
Gain on sale of assets	(6)		
Restructuring and separation costs		43	12
Impairment		101	19
Other losses		37	25
Research and development	1	3	3
Bad debts written off	4	8	3
Donations		1	
Maintenance and repairs	29	59	31
Operating lease expenses	22	34	16
Auditors' fees and expenses payable for:			
Statutory audit		1	
Other services		5	1

Included in unusual items is a profit of \$6.0 million in relation to the sale of assets.